

# COMMENTARY



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## Mission impossible: the Team Europe Initiative on Water, Energy, and Climate in Central Asia

*By Shyngys Zipatolla*

Central Asia is severely affected by climate change. Several studies argue that the glaciers feeding the two main rivers of the region, the Amu Darya and the Syr Darya, could shrink by more than half within a few decades. These changes have crucial implications in terms of water access, an important and divisive resource in the region. During the European Union (EU)-Central Asia Connectivity Conference for Sustainable Development held in November 2022 in Uzbekistan, the EU launched a new Global Gateway flagship Team Europe initiative on Water, Energy, and Climate, with the aim of contributing to the ‘resilience’, ‘prosperity’ and ‘regional cooperation’ priorities outlined in the EU Strategy on Central Asia. However, it is unclear whether Brussels can make an impact on these three vast areas.

The Team Europe initiative aims to contribute to managing water and energy resources sustainably and to address environmental challenges as a means to mitigate climate change. It will focus on developing transboundary water governance, contributing to the International Fund for Saving the Aral Sea (IFAS), and supporting infrastructure projects within the water supply, sanitation and water management fields, as well as hydropower. At the same time, it will contribute to the development of a regional power market and the transition to a green economy. As such, the European Commission, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) have allocated €700 million to the initiative. Finland, France, Germany, Italy, Latvia, Romania, and Slovakia are likely to play a role in coordination and implementation.

As part of the Global Gateway, the EU uses the European Fund for Sustainable Development Plus (EFSD+) to promote investments worldwide in support of sustainable development. This means that, instead of providing direct grants, Brussels pools together public and private funding, particularly through guarantees and blending. With guarantees, the EU shares the risks associated with investing in and lending to developing countries, so that private investors and development banks will finance entrepreneurs or development projects. Therefore, if losses occur, Brussels only pays part of it. With blending, it uses public money to cover part of the costs of a development project to get it off the ground, with public and private investors financing the rest.

Despite the EU's good intentions, there are three main concerns. *First*, the EU seems to be spreading itself too thin. The magnitude and importance of each area, combined with the limited resources at the EU's disposal, make it difficult to have any real impact. Water management and disputes (given its importance, inter alia, for electricity and agriculture) and climate change are real threats to Central Asia as a whole. *Second*, the use of guarantees and blending mechanisms can be risky. Challenging political and economic contexts make the region less attractive for international investors. Rampant corruption, nepotism, super-presidential powers, and the lack of economic diversity, pose a problem for development banks and investors. *Third*, regional elites currently benefit from Central Asian countries' dependence on oil, gas, and raw materials, which means that they are less interested in transitioning to alternative energy resources.

The EU should be aware of the concerns above as it is not new to water and energy projects in Central Asia. Regarding water, Brussels' most important projects to date have been the EU Water Initiative (EUWI) and the EU-Central Asia Regional Programme on Environment, Water, and Climate Change (EURECA), both being platforms for coordination and the sharing of expertise. In the energy sector, between 1996 and 2016, Brussels provided technical assistance through the Interstate Oil and Gas Transport to Europe (INOGATE) that was followed by the EU4Energy project. Today, within its Global Gateway initiative, the EU has set up the project Sustainable Energy Connectivity in Central Asia (SECCA) that will focus solely on promoting a more sustainable energy balance in Central Asia.

As part of the Team Europe Initiative, the EU has also committed to funding 15 per cent of the €5 billion Rogun Hydropower Plant in Tajikistan. The dam could put an end to the repeated and prolonged energy blackouts in Tajikistan, as well as provide energy to downstream countries Kazakhstan and Uzbekistan. However, given the impact on water flows, for years Uzbekistan has been opposing the construction of the dam. Even though the situation has been improving since Shavkat Mirziyoyev became president in 2016, the Rogun project remains a highly-politicised issue. Moreover, large infrastructural projects are notorious in Central Asia for not delivering on the promised benefits, for their enormous cost, time overruns, corruption scandals, and negative social, economic, and environmental impacts, and the Rogun Dam will be no exception. The EU and EIB are still studying the EU's potential contribution to Rogun, as the project is financially complex and is still missing a number of key reports on its environmental and social impact.

The EU also intends to contribute to solving problems surrounding the Aral Sea. In the 1960s, it was the world's fourth-largest inland water body, but it is now almost dry due to massive irrigated agriculture on the region's two rivers. To fight its desiccation, in 1992, Central Asian countries established the International Fund for Saving the Aral Sea. However, little has been achieved. According to one interviewed EU official, the EU wants to contribute to IFAS through increased capacity building for staff and financial support for key events. After countless, failed efforts, it is hard to envision a successful solution to restore the Aral Sea.

The population of Central Asia already exceeds 70 million people, and the UN estimates that it will reach 82 million by 2030 and 100 million by 2100. As the population grows, so does the demand for agricultural and industrial products that depend on scarcer water resources, which, in turn, creates regional tensions. At the same time, existing hydropower plants and energy facilities are outdated and need investment, while residential consumption is increasing. Moreover, Central Asian countries are heavily dependent on revenues from raw materials, which makes their economies fragile and has contributed to the emergence of powerful rent-seeking elites. The political-economic situation, together with the complex water, energy, and climate issues, will be extremely difficult for Brussels to navigate. The following recommendations could help:

*Be strict and accountable.* High levels of corruption, the lack of economic diversity, and unchecked presidential power have created influential economic elites. Working with such intermediaries makes the EU's blended finance projects opaque and susceptible to nepotism, patronage, and money laundering. Therefore, establishing a permanent headquarters in Central Asia, with staff responsible for monitoring projects, could be a good start to try to prevent corruption. Simultaneously, the creation of a platform to promote practical engagement of local civil society and expand contacts and collaboration with European colleagues could also provide some anti-corruption safeguards. This would help the EU to be strict with Central Asian governments and accountable to European taxpayers.

*Be realistic and transparent.* Focusing on these three vast areas with such modest means is too ambitious. Brussels needs to understand that it cannot change the existing water, energy, and climate situation in Central Asia. However, the EU can develop goals that are more precise, determine the area of responsibility of each member state, institution, and regional country, and link its potential projects to solid objectives and outcomes. In its Team Europe activities, the EU should be realistic towards itself in what can be achieved and transparent towards everyone else on what it sets out to do.

*Be engaged and balanced.* The EU has always tried to present itself as an impartial actor with no geopolitical intentions in Central Asia, which has served to distinguish it from other players. Brussels has never been a direct stakeholder in Central Asian transboundary water use, energy, and climate issues, but has sought to bring Central Asian partners together. This has allowed the EU to gain trust among Central Asian elites. But the EU's potential investment in Rogun Dam could change this perception. Brussels' intention to be more 'geostrategic' could backfire as it risks having to choose between countries or elites. Instead, investment into neutral innovative projects on solar or wind turbines, for example – which is feasible with the budget available – would allow the EU both to stay balanced and have an impact.

Despite its noble efforts, the EU's Team Europe initiative on Water, Energy, and Climate in Central Asia seems farfetched. Considering existing water and energy shortages, as well as environmental problems, amidst challenging economic and political scenarios, the EU should re-examine and adjust its plans. Rather than focusing on three vast areas – including addressing the desiccation of the Aral Sea – Brussels should focus on specific projects and smaller initiatives in the water, energy or climate spheres. Instead of relying on the honesty of local entrepreneurs, the EU should increase its anti-corruption measures. Finally, rather than investing in Rogun – one of the most disputed regional initiatives in the region – the EU should reconsider its emerging geostrategic ambitions and contribute instead to neutral and innovative projects by providing expertise and standards, as it has always done. This would allow the EU to be influential and unbiased, while bolstering its regional position.

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